



General Assembly

January Session, 2007

Raised Bill No. 1034

LCO No. 1452

* _____SB01034BA_FIN030607_____*

Referred to Committee on Banks

Introduced by:
(BA)

***AN ACT PROVIDING AN INCOME TAX DEDUCTION FOR
CONTRIBUTIONS TO ANY QUALIFIED 529 PLAN.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the general statutes is repealed and the following is
3 substituted in lieu thereof (*Effective July 1, 2007, and applicable to taxable*
4 *years commencing on or after January 1, 2007*):

5 (B) There shall be subtracted therefrom (i) to the extent properly
6 includable in gross income for federal income tax purposes, any
7 income with respect to which taxation by any state is prohibited by
8 federal law, (ii) to the extent allowable under section 12-718, exempt
9 dividends paid by a regulated investment company, (iii) the amount of
10 any refund or credit for overpayment of income taxes imposed by this
11 state, or any other state of the United States or a political subdivision
12 thereof, or the District of Columbia, to the extent properly includable
13 in gross income for federal income tax purposes, (iv) to the extent
14 properly includable in gross income for federal income tax purposes
15 and not otherwise subtracted from federal adjusted gross income
16 pursuant to clause (x) of this subparagraph in computing Connecticut

17 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
18 extent any additional allowance for depreciation under Section 168(k)
19 of the Internal Revenue Code, as provided by Section 101 of the Job
20 Creation and Worker Assistance Act of 2002, for property placed in
21 service after December 31, 2001, but prior to September 10, 2004, was
22 added to federal adjusted gross income pursuant to subparagraph (A)
23 (ix) of this subdivision in computing Connecticut adjusted gross
24 income for a taxable year ending after December 31, 2001, twenty-five
25 per cent of such additional allowance for depreciation in each of the
26 four succeeding taxable years, (vi) to the extent properly includable in
27 gross income for federal income tax purposes, any interest income
28 from obligations issued by or on behalf of the state of Connecticut, any
29 political subdivision thereof, or public instrumentality, state or local
30 authority, district or similar public entity created under the laws of the
31 state of Connecticut, (vii) to the extent properly includable in
32 determining the net gain or loss from the sale or other disposition of
33 capital assets for federal income tax purposes, any gain from the sale
34 or exchange of obligations issued by or on behalf of the state of
35 Connecticut, any political subdivision thereof, or public
36 instrumentality, state or local authority, district or similar public entity
37 created under the laws of the state of Connecticut, in the income year
38 such gain was recognized, (viii) any interest on indebtedness incurred
39 or continued to purchase or carry obligations or securities the interest
40 on which is subject to tax under this chapter but exempt from federal
41 income tax, to the extent that such interest on indebtedness is not
42 deductible in determining federal adjusted gross income and is
43 attributable to a trade or business carried on by such individual, (ix)
44 ordinary and necessary expenses paid or incurred during the taxable
45 year for the production or collection of income which is subject to
46 taxation under this chapter but exempt from federal income tax, or the
47 management, conservation or maintenance of property held for the
48 production of such income, and the amortizable bond premium for the
49 taxable year on any bond the interest on which is subject to tax under
50 this chapter but exempt from federal income tax, to the extent that
51 such expenses and premiums are not deductible in determining federal

52 adjusted gross income and are attributable to a trade or business
 53 carried on by such individual, (x) (I) for a person who files a return
 54 under the federal income tax as an unmarried individual whose
 55 federal adjusted gross income for such taxable year is less than fifty
 56 thousand dollars, or as a married individual filing separately whose
 57 federal adjusted gross income for such taxable year is less than fifty
 58 thousand dollars, or for a husband and wife who file a return under
 59 the federal income tax as married individuals filing jointly whose
 60 federal adjusted gross income for such taxable year is less than sixty
 61 thousand dollars or a person who files a return under the federal
 62 income tax as a head of household whose federal adjusted gross
 63 income for such taxable year is less than sixty thousand dollars, an
 64 amount equal to the Social Security benefits includable for federal
 65 income tax purposes; and (II) for a person who files a return under the
 66 federal income tax as an unmarried individual whose federal adjusted
 67 gross income for such taxable year is fifty thousand dollars or more, or
 68 as a married individual filing separately whose federal adjusted gross
 69 income for such taxable year is fifty thousand dollars or more, or for a
 70 husband and wife who file a return under the federal income tax as
 71 married individuals filing jointly whose federal adjusted gross income
 72 from such taxable year is sixty thousand dollars or more or for a
 73 person who files a return under the federal income tax as a head of
 74 household whose federal adjusted gross income for such taxable year
 75 is sixty thousand dollars or more, an amount equal to the difference
 76 between the amount of Social Security benefits includable for federal
 77 income tax purposes and the lesser of twenty-five per cent of the Social
 78 Security benefits received during the taxable year, or twenty-five per
 79 cent of the excess described in Section 86(b)(1) of the Internal Revenue
 80 Code, (xi) to the extent properly includable in gross income for federal
 81 income tax purposes, any amount rebated to a taxpayer pursuant to
 82 section 12-746, (xii) to the extent properly includable in the gross
 83 income for federal income tax purposes of a designated beneficiary,
 84 any distribution to such beneficiary from any qualified state tuition
 85 program, as defined in Section 529(b) of the Internal Revenue Code,
 86 established and maintained by this state or any official, agency or

87 instrumentality of the state, (xiii) to the extent allowable under section
 88 12-701a, contributions to accounts established pursuant to any
 89 qualified state tuition program, as defined in Section 529(b) of the
 90 Internal Revenue Code, established and maintained by [this] any state
 91 or any official, agency or instrumentality of [the] any state, (xiv) to the
 92 extent properly includable in gross income for federal income tax
 93 purposes, the amount of any Holocaust victims' settlement payment
 94 received in the taxable year by a Holocaust victim, and (xv) to the
 95 extent properly includable in gross income for federal income tax
 96 purposes of an account holder, as defined in section 31-51ww, interest
 97 earned on funds deposited in the individual development account, as
 98 defined in section 31-51ww, of such account holder.

99 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
 100 section 12-701, as amended by section 71 of public act 05-251 and
 101 section 77 of public act 06-186, is repealed and the following is
 102 substituted in lieu thereof (*Effective July 1, 2007, and applicable to taxable*
 103 *years commencing on or after January 1, 2008*):

104 (B) There shall be subtracted therefrom (i) to the extent properly
 105 includable in gross income for federal income tax purposes, any
 106 income with respect to which taxation by any state is prohibited by
 107 federal law, (ii) to the extent allowable under section 12-718, exempt
 108 dividends paid by a regulated investment company, (iii) the amount of
 109 any refund or credit for overpayment of income taxes imposed by this
 110 state, or any other state of the United States or a political subdivision
 111 thereof, or the District of Columbia, to the extent properly includable
 112 in gross income for federal income tax purposes, (iv) to the extent
 113 properly includable in gross income for federal income tax purposes
 114 and not otherwise subtracted from federal adjusted gross income
 115 pursuant to clause (x) of this subparagraph in computing Connecticut
 116 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
 117 extent any additional allowance for depreciation under Section 168(k)
 118 of the Internal Revenue Code, as provided by Section 101 of the Job
 119 Creation and Worker Assistance Act of 2002, for property placed in

120 service after December 31, 2001, but prior to September 10, 2004, was
121 added to federal adjusted gross income pursuant to subparagraph
122 (A)(ix) of this subdivision in computing Connecticut adjusted gross
123 income for a taxable year ending after December 31, 2001, twenty-five
124 per cent of such additional allowance for depreciation in each of the
125 four succeeding taxable years, (vi) to the extent properly includable in
126 gross income for federal income tax purposes, any interest income
127 from obligations issued by or on behalf of the state of Connecticut, any
128 political subdivision thereof, or public instrumentality, state or local
129 authority, district or similar public entity created under the laws of the
130 state of Connecticut, (vii) to the extent properly includable in
131 determining the net gain or loss from the sale or other disposition of
132 capital assets for federal income tax purposes, any gain from the sale
133 or exchange of obligations issued by or on behalf of the state of
134 Connecticut, any political subdivision thereof, or public
135 instrumentality, state or local authority, district or similar public entity
136 created under the laws of the state of Connecticut, in the income year
137 such gain was recognized, (viii) any interest on indebtedness incurred
138 or continued to purchase or carry obligations or securities the interest
139 on which is subject to tax under this chapter but exempt from federal
140 income tax, to the extent that such interest on indebtedness is not
141 deductible in determining federal adjusted gross income and is
142 attributable to a trade or business carried on by such individual, (ix)
143 ordinary and necessary expenses paid or incurred during the taxable
144 year for the production or collection of income which is subject to
145 taxation under this chapter but exempt from federal income tax, or the
146 management, conservation or maintenance of property held for the
147 production of such income, and the amortizable bond premium for the
148 taxable year on any bond the interest on which is subject to tax under
149 this chapter but exempt from federal income tax, to the extent that
150 such expenses and premiums are not deductible in determining federal
151 adjusted gross income and are attributable to a trade or business
152 carried on by such individual, (x) (I) for a person who files a return
153 under the federal income tax as an unmarried individual whose
154 federal adjusted gross income for such taxable year is less than fifty

155 thousand dollars, or as a married individual filing separately whose
 156 federal adjusted gross income for such taxable year is less than fifty
 157 thousand dollars, or for a husband and wife who file a return under
 158 the federal income tax as married individuals filing jointly whose
 159 federal adjusted gross income for such taxable year is less than sixty
 160 thousand dollars or a person who files a return under the federal
 161 income tax as a head of household whose federal adjusted gross
 162 income for such taxable year is less than sixty thousand dollars, an
 163 amount equal to the Social Security benefits includable for federal
 164 income tax purposes; and (II) for a person who files a return under the
 165 federal income tax as an unmarried individual whose federal adjusted
 166 gross income for such taxable year is fifty thousand dollars or more, or
 167 as a married individual filing separately whose federal adjusted gross
 168 income for such taxable year is fifty thousand dollars or more, or for a
 169 husband and wife who file a return under the federal income tax as
 170 married individuals filing jointly whose federal adjusted gross income
 171 from such taxable year is sixty thousand dollars or more or for a
 172 person who files a return under the federal income tax as a head of
 173 household whose federal adjusted gross income for such taxable year
 174 is sixty thousand dollars or more, an amount equal to the difference
 175 between the amount of Social Security benefits includable for federal
 176 income tax purposes and the lesser of twenty-five per cent of the Social
 177 Security benefits received during the taxable year, or twenty-five per
 178 cent of the excess described in Section 86(b)(1) of the Internal Revenue
 179 Code, (xi) to the extent properly includable in gross income for federal
 180 income tax purposes, any amount rebated to a taxpayer pursuant to
 181 section 12-746, (xii) to the extent properly includable in the gross
 182 income for federal income tax purposes of a designated beneficiary,
 183 any distribution to such beneficiary from any qualified state tuition
 184 program, as defined in Section 529(b) of the Internal Revenue Code,
 185 established and maintained by [this] any state or any official, agency or
 186 instrumentality of [the] any state, (xiii) to the extent allowable under
 187 section 12-701a, contributions to accounts established pursuant to any
 188 qualified state tuition program, as defined in Section 529(b) of the
 189 Internal Revenue Code, established and maintained by this state or

190 any official, agency or instrumentality of the state, (xiv) to the extent
 191 properly includable in gross income for federal income tax purposes,
 192 the amount of any Holocaust victims' settlement payment received in
 193 the taxable year by a Holocaust victim, (xv) to the extent properly
 194 includable in gross income for federal income tax purposes of an
 195 account holder, as defined in section 31-51ww, interest earned on
 196 funds deposited in the individual development account, as defined in
 197 section 31-51ww, of such account holder, and (xvi) to the extent
 198 properly included in gross income for federal income tax purposes,
 199 fifty per cent of the income received from the United States
 200 government as retirement pay for a retired member of (I) the Armed
 201 Forces of the United States, as defined in Section 101 of Title 10 of the
 202 United States Code, or (II) the National Guard, as defined in Section
 203 101 of Title 10 of the United States Code.

204 Sec. 3. Section 12-701a of the general statutes is repealed and the
 205 following is substituted in lieu thereof (*Effective July 1, 2007, and*
 206 *applicable to taxable years commencing on or after January 1, 2007*):

207 The maximum annual modification under subparagraph (B)(xiii) of
 208 subdivision (20) of subsection (a) of section 12-701, as amended by this
 209 act, shall be equal to the amount of contributions to all accounts
 210 established pursuant to any qualified state tuition program, as defined
 211 in Section 529(b) of the Internal Revenue Code, established and
 212 maintained by [this] any state or any official, agency or instrumentality
 213 of [the] any state, but shall not exceed five thousand dollars for each
 214 individual taxpayer, or ten thousand dollars for taxpayers filing a joint
 215 return. Any amount of a contribution that is not subtracted by the
 216 taxpayer in the year for which the contribution is made, on or after
 217 January 1, [2006] 2007, may be carried forward as a subtraction from
 218 income for the succeeding five years; provided the amount subtracted
 219 shall not exceed the maximum allowed in each subsequent taxable
 220 year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007, and applicable to taxable years commencing on or after January 1, 2007</i>	12-701(a)(20)(B)
Sec. 2	<i>July 1, 2007, and applicable to taxable years commencing on or after January 1, 2008</i>	12-701(a)(20)(B)
Sec. 3	<i>July 1, 2007, and applicable to taxable years commencing on or after January 1, 2007</i>	12-701a

BA**Joint Favorable C/R****FIN**